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No. 15-446

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF INTERDIGITAL, INC., TESSERA TECHNOLOGIES, INC. AND FALLBROOK TECHNOLOGIES INC. AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

JEFFREY A. BIRCHAK
Counsel of Record
FALLBROOK TECHNOLOGIES INC.
2620 Brushy Creek Loop
Cedar Park, TX 78613
(512) 519-0305
jbirchak@fallbrooktech.com
Attorney for Amicus Curiae *Fallbrook Technologies Inc.*

RICHARD P. BRESS
Counsel of Record
GABRIEL K. BELL
MICHAEL J. GERARDI
LATHAM & WATKINS LLP
555 11th Street, NW
Suite 1000
Washington, DC 20004
(202) 637-2200
rick.bress@lw.com
Attorneys for Amici Curiae *InterDigital, Inc. and Tessera Technologies, Inc.*

Additional Counsel Listed on Inside Cover

SRIRANGA R.
VEERARAGHAVAN
TESSERA TECHNOLOGIES,
INC.
3025 Orchard Parkway
San Jose, CA 95134
(408) 321-6000

Attorney for Amicus Curiae
Tessera Technologies, Inc.

ANDREW G. ISZTWAN
INTERDIGITAL
HOLDINGS, INC.
200 Bellevue Parkway
Suite 300
Wilmington, DE 19809
(302) 281-3600

Attorney for Amicus Curiae
InterDigital, Inc.

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INTERESTS OF AMICI CURIAE

Amici are leaders in the development of technologies that drive some of the most dynamic sectors of the American economy.[1]

InterDigital, Inc. ("InterDigital"), based in Wilmington, Delaware, has been a pioneer in mobile technology and a key contributor to global wireless communication standards for over four decades. The company's patented innovations have been critical to the deployment of 2G, 3G, 4G, and IEEE 802-related wireless networks and compatible products.

Tessera Technologies, Inc. ("Tessera"), a public technology company based in San Jose, California, has been researching and developing semiconductor and imaging technologies for nearly 25 years. Over 100 billion semiconductor chips have shipped with Tessera's semiconductor technology, and Tessera's advanced imaging technology is embedded in more than 60 percent of global high-end smartphones.

Fallbrook Technologies Inc. ("Fallbrook"), based in Cedar Park, Texas, develops and licenses mechanical energy management solutions for the transportation industry and manufactures and sells advanced bicycle transmissions. Fallbrook's energy management

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[1] The parties have consented to the filing of this *amicus* brief. Counsel of record for all parties received notice at least 10 days prior to the due date of the intention to file this brief. No counsel for a party authored this brief in whole or in part; and no such counsel or any party made a monetary contribution intended to fund the preparation or submission of this brief. No person or entity, other than *amici* and their counsel, made a monetary contribution intended to fund its preparation or submission.

solutions enable vehicles that can better achieve tougher future gas mileage and emissions standards.

Collectively, *amici* employ hundreds of engineers, including many with advanced degrees. They invest tens of millions of dollars annually in research and development related to their core technology areas. They have thousands of patents in their respective fields. They have seen first-hand the perverse and destabilizing effects of the Patent Trial and Appeal Board's ("PTAB") use of the "broadest reasonable interpretation" (or "broadest reasonable construction") standard. This standard not only departs from the test that has governed well over a century of patent validity adjudication, it also forces patentees to face conflicting claim construction standards in two different fora, and dramatically undermines their substantive property rights in ways never contemplated by Congress. *Amici*, therefore, have a profound interest in the first Question Presented in the petition for certiorari. *See* Pet. II.

SUMMARY OF ARGUMENT

In 1836, Congress imposed the requirement that patents separately recite with specificity what is "claim[ed]." Act of July 4, 1836, ch. 357, § 6, 5 Stat. 117, 119. Those recitations in a patent of the metes and bounds of the invention are now commonly referred to as "claims." When accused infringers challenge a patent's validity in district court litigation, the patent's claims are first interpreted (or "construed") to

determine their meaning to a person of ordinary skill in the art.[2]

In 2011, in the America Invents Act ("AIA"), Congress created an alternative (more cost-effective and efficient) litigation forum in which accused infringers can challenge the validity of issued patents: the PTAB of the United States Patent and Trademark Office ("PTO"). When it enacted regulations to govern this new forum, the PTO adopted a rule providing that, in contrast to the courts' longstanding practice of adjudicating a patent's validity based on what its claim terms *actually* mean, the PTAB would adjudicate a patent's validity based on its "broadest reasonable construction." 37 C.F.R. § 42.100(b).

In the present action, Cuozzo argued that Congress never authorized the PTAB to adjudicate patent validity under this artificially broad claim construction standard, which undermines their legitimate patent rights. A divided panel of the Federal Circuit disagreed, and held that, in adopting that standard for PTAB proceedings, the PTO reasonably interpreted its Congressional mandate under the AIA. Pet. App. 18a-19a (applying *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984)). The sharply divided court then denied rehearing en banc, by a 6:5 vote. *Id.* at 48a-51a.

This matter merits the Court's attention. The PTO's rule is fundamentally incompatible with the adjudicative nature of the PTAB's proceedings and creates between the PTAB and the courts a double standard that whipsaws patentees, destabilizes the

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[2] The same standard and process also apply in International Trade Commission proceedings.

patent system, and profoundly weakens patent rights. The Federal Circuit's decision upholding the PTO's enforcement of the "broadest reasonable interpretation," in lieu of the actual meaning of the claim, is erroneous—and warrants review—for three overarching reasons.

First, Congress intended the PTAB to serve as an alternative forum for adjudicating patent validity, a function that historically and inherently requires each issued patent claim to be judged by its actual meaning. Patent law draws a sharp distinction between (i) claim construction that occurs in adjudicative proceedings involving an issued patent and (ii) claim construction that occurs during the PTO's examination proceedings. In the adjudication context, the actual meaning of the claim—the "meaning that the term would have to a person of ordinary skill in the art ... at the time of the invention"—has long governed questions of both patent validity and infringement. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc). During examination, the PTO's patent examiners instead give claims an artificial "broadest reasonable interpretation" to facilitate patent prosecution in a collaborative process where applicants are allowed to amend claims freely and frequently. *In re Rambus, Inc.*, 753 F.3d 1253, 1255-56 (Fed. Cir. 2014).

Although the new post-grant proceedings created by the AIA are not administered by district courts, but instead by the PTO (through the newly-created PTAB), the text, structure, and purpose of the AIA show that the point of the new proceedings is to provide a cheaper and quicker alternative forum for the adjudication of patent validity, not an opportunity for further patent examination. Consequently, the

standards used in court and in this new alternative-to-court should be the same. There is no reason to assume Congress intended, when creating an alternative adjudication forum, to change the longstanding standard under which the validity of issued patents has been adjudicated.

Second, the Federal Circuit's decision ensures that, when defending their patent rights, patentees will have to do so under two different and conflicting claim construction standards. As a result, it is highly likely that the district court and the PTAB, though considering identical claims and prior art, will adopt different constructions and reach different conclusions on patent validity. This is creating destabilizing uncertainty about the validity of patent rights, encouraging forum shopping and fostering duplicative strategic litigation on an unprecedented scale. There already have been multiple incidents of patentees (including *amicus* InterDigital) obtaining jury verdicts of patent infringement and validity in the district court only to be met with subsequent PTAB decisions finding the same claims invalid under the "broadest reasonable interpretation" standard.

When establishing the PTAB as an alternative, more efficient forum for adjudicating patent validity, Congress did not intend to relegate the district courts to the role of providing advisory opinions on validity and infringement based on what the claims *actually* mean as a mere warm-up to an invalidity ruling by the PTAB based on what the claims *might* mean. But this is precisely what is happening under the PTO's rule. The PTAB's use of the "broadest reasonable interpretation" deprives patentees of any certainty and creates an inefficient and unworkable two-track system

for adjudication of patent rights under different standards. It defies common sense to presume that, with the AIA, Congress intended or condoned such anomalous results. *See FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000).

Third, the PTAB's use of the "broadest reasonable interpretation" standard undermines the substantive rights of inventors in ways Congress could not have intended. When a patent is given its "broadest" possible interpretation, it is far more likely to read on prior art. *See* 35 U.S.C. §§ 102, 103 (claims invalid if anticipated by or obvious in light of prior art). Application of that standard thus invalidates legitimate patents that would survive on their actual merits and eviscerates the statutory presumption of validity that attaches to issued patents. *See id.* § 282(a). It also creates a Catch-22 for patentees because, while the PTAB (applying that artificially broad standard) is more likely to find a patent invalid, in a parallel action the district court (applying the correct, potentially narrower construction) is less likely to find the patent infringed. That heads-you-win/tails-I-lose dynamic is profoundly unfair, illogical, and contrary to longstanding doctrine requiring use of the same claim construction for infringement and validity.

The potential consequences of the PTAB's application of the artificial "broadest reasonable interpretation" standard are sufficiently severe that *amicus* Tessera abandoned the entire remaining term of one of its most valuable patents directed to assemblies for manufacturing semiconductor chips in an attempt to prevent the PTAB from applying this artificial standard to that patent. *See Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 129 at 2

(P.T.A.B. May 22, 2014). The willingness of parties to forego legitimate patent rights to avoid the likely effects of this standard underscores the gravity of the problem created by the PTO's rule and the pressing need for this Court's intervention.

This Court should grant review to consider whether the PTAB's application of the "broadest reasonable interpretation" standard is a reasonable implementation of the AIA.

ARGUMENT

The PTAB's use of the "broadest reasonable interpretation" in adjudicating patent validity presumes that Congress *sub silentio* empowered the agency to (i) depart from the claim construction standard that has governed patent adjudication for over a century, (ii) create a two-track system for adjudicating patent validity in which the controlling standard varies depending on the forum, and (iii) diminish patentees' legitimate property rights. Congress never intended such anomalous results.

I. THE PTO'S RULE DEPARTS FROM OVER A CENTURY OF SETTLED LAW ON THE STANDARD GOVERNING THE ADJUDICATION OF PATENT VALIDITY

A. Patent Law Has Long Distinguished Between Adjudication Of Issued Patents And Examination Of Patent Applications

1. The patent claim has played a central role in defining the scope of an inventor's property rights for nearly two centuries—at least since 1836 when Congress first required patents to "'particularly specify and point out'" the "'claim[ed]'" invention.

Phillips, 415 F.3d at 1312 (quoting Act of July 4, 1836, ch. 357, § 6, 5 Stat. at 119). A patent's claims are "the measure of [an inventor's] right to relief" and "nothing can be held to be an infringement which does not fall within the terms the patentee himself chose to express his invention." *McClain v. Ortmayer*, 141 U.S. 419, 424-25 (1891).

Because patents are directed to those skilled in the art, they are "commonly described by terms of the art ... to which they respectively belong ... requir[ing] peculiar knowledge and education to understand them aright" that would be "scarcely noticeable to a common reader." *Bischoff v. Wethered*, 76 U.S. (9 Wall.) 812, 815 (1870). Courts construing claims to adjudicate infringement and validity accordingly have long determined the "outward embodiment of the terms contained in the patent" as understood by "the mind of those expert in the art." *Id.* That historical function is reflected in the settled rule that federal courts normally give patent claim terms their "ordinary meaning ... as understood by a person of skill in the art." *Phillips*, 415 F.3d at 1314; *see also, e.g.*, *Lakewood Eng'g Co. v. Stein*, 8 F.2d 713, 715 (6th Cir. 1925) (applying "plain, usual, and ordinary meaning" of patent claims). As this Court has explained, courts must "be careful not to enlarge, by construction, the claim which the Patent Office has admitted, and which the patentee has acquiesced in, beyond the fair interpretation of its terms." *Burns v. Meyer*, 100 U.S. 671, 672 (1880).

2. In contrast, a different standard historically has applied in examination proceedings, such as when the PTO is determining whether patents should issue in the first place. During examination, the PTO (or its

predecessor) has long given proposed patent claims "the broadest interpretation which they will support without straining the language in which they are couched." *Podlesak v. McInnerney*, 1906 Dec. Comm'r Pat. 265, 268. In other words, in that setting, the PTO does not determine what the claims *actually* mean, only what they *might* reasonably mean. That standard remains in place today. *In re Rambus*, 753 F.3d at 1255-56. Over the years, courts have approved use of the "broadest reasonable interpretation" standard in initial examinations, interferences, reissues, and re-examinations. Pet. App. 13a-14a (collecting cases).[3]

The PTO's use in these contexts of an artificially broad claim construction standard is driven by important differences between examination of patents (administered by the PTO) and the adjudication of the validity of issued patents (traditionally presided over by federal courts). Unlike the courts, which are tasked with giving "a fixed, unambiguous, legally operative meaning to the claim," *Chimie v. PPG Indus., Inc.*, 402 F.3d 1371, 1377 (Fed. Cir. 2005), the primary objective

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[3] The Federal Circuit majority opinion states that pre-AIA interference proceedings "are also in some sense adjudicatory." Pet. App. 83a. That is not correct. Interference proceedings are an outgrowth of patent examination rather than an adjudication of patent rights. Interferences involve at least one pending application and are "declared to assist the [PTO] in determining priority, that is, which party first invented the commonly claimed invention." Manual of Patent Examining Procedure § 2301 (9th ed. Rev. 7, Oct. 2015). Once an interference terminates, "[j]urisdiction over an application returns to the examiner," *ex parte* examination resumes subject to the conclusions of the interference, and an applicant is, once again, able to add and amend claims freely in order to obtain a patentable claim. *Id.* § 2308.

of the examination process is to work with applicants and patentees "to fashion claims that are precise, clear, correct, and unambiguous." *In re Zletz*, 893 F.2d 319, 321-22 (Fed. Cir. 1989). The "broadest reasonable interpretation" rule "'serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified,'" because the examiner will have already considered the claims under a standard that is more difficult for the patentee to overcome with respect to validity. *In re Bigio*, 381 F.3d 1320, 1324 (Fed. Cir. 2004) (citation omitted).

Moreover, whereas patentees cannot request claim amendments in district court adjudication, patent claims have always been "readily amended as part of the examination process" before the PTO in order to circumvent prior art, recite eligible subject matter, and ensure an adequate written description. *Burlington Indus., Inc. v. Quigg*, 822 F.2d 1581, 1583 (Fed. Cir. 1987). The "ability to amend ... claims to avoid cited prior art distinguishes [examination] proceedings before the PTO from [adjudicative] proceedings in federal district courts on issued patents," which are adversarial in nature. *In re Yamamoto*, 740 F.2d 1569, 1571-72 (Fed. Cir. 1984) (discussing patent reexamination procedures); *see also In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A 1969) (patent examination procedures); *In re Reuter*, 670 F.2d 1015, 1019 (C.C.P.A 1981) (patent reissue procedures).

B. Congress Created The New PTAB Proceedings As An Alternative To District Court Adjudication, Not An Extension Of The Examination Process

In the 2011 AIA, Congress created a new body (the PTAB, within the PTO) and tasked it with new procedures for reviewing the validity of issued patents: *inter partes* review ("IPR") and post-grant review ("PGR") (collectively, "post-grant proceedings"). Unlike the PTO's historic patent *examination* procedures, the agency itself acknowledges that the PTAB's post-grant proceedings are "a trial, adjudicatory in nature [that] constitutes litigation"—they are "neither a patent examination nor a patent reexamination." *Google Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper 50 at 4 (P.T.A.B. Feb. 13, 2014); *see also* 37 C.F.R. § 42.100(a) ("An *inter partes* review ... is a trial ...."). The Federal Circuit also recognizes that "IPR may be said to be adjudicatory rather than an examination." Pet. App. 17a. With good reason. The text, structure, and purpose of the AIA demonstrate that these new post-grant proceedings are intended to be an alternative to district court litigation rather than an extension of the examination process.

1. The statutory text and structure establish that the PTAB's post-grant proceedings are an adjudicative substitute to district court litigation, not an additional type of examination.

First, unlike patent examination procedures, which are generally conducted *ex parte* by *patent examiners*, IPR and PGR proceedings are conducted *inter partes* before a panel of *administrative patent judges* sitting on the PTAB. 35 U.S.C. § 6(a), (b)(4). A party, usually

an accused infringer, asks the PTAB to review the validity of a patent by filing a petition for IPR or PGR. *Id.* §§ 311, 321. The patent owner then has an opportunity to respond. *Id.* §§ 313, 323. If the PTAB grants a petition and institutes a review, a three-judge panel presides over a trial-like process involving a limited period of discovery (including depositions and expert discovery), a round of briefing, motion practice, and a trial, before it issues a final written decision. *See Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013) (citing H.R. Rep. No. 112-98, pt. 1, at 46-47 (2011)); *see also* 35 U.S.C. § 6(a).

Second, unlike in patent examination (and reexamination), during the PTAB's post-grant proceedings claims cannot be "readily amended" as of right. *Burlington Indus.*, 822 F.2d at 1583. Instead, patentees are allowed "1 motion to amend the patent" by either "[c]ancel[ling] any challenged patent claim" or by "propos[ing] a reasonable number of substitute claims." 35 U.S.C. §§ 316(d)(1), 326(d)(1). And the standards for granting these motions to amend are extremely high. Under current practice at the PTAB, the patent owner has the burden "to show a patentable distinction of each proposed substitute claim over the prior art," and "persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner." *Idle Free Sys., Inc. v. Bergstrom, Inc.*, No. IPR2012-00027 (JL), Paper 26 at 7, 2013 WL 5947697, at *4 (P.T.A.B. June 11, 2013); *see also MasterImage 3D, Inc. v. RealD Inc.*, IPR2015-00040, Paper 42 at 2-3 (P.T.A.B. July 15, 2015) (clarifying scope of "prior art of record" and "prior art known to the patent owner"). Additional motions are only

permitted to facilitate settlement or on a showing of good cause by the patent owner. 35 U.S.C. §§ 316(d)(2), 326(d)(2).

In practice, amendments requested during the PTAB's post-grant proceedings are rarely granted. According to one study, through April 6, 2015, patent owners filed motions to amend in 23 percent of the 317 IPR petitions on which a final decision issued, and *just three* of these 73-odd motions were granted. Raymond Mandra & Corinne Atton, *Statistics Show IPRs Favor Patent Challenges*, Today's General Counsel, Aug./Sept. 2015, at 23-25. This is nothing like the collaborative examination process, where claims can be freely amended as of right in an iterative process with responsive feedback provided by the patent examiner to ensure that they satisfy the patentability requirements.

Third, the AIA includes certain estoppel provisions that further demonstrate Congress's intent for the PTAB proceedings to be an alternative to district court adjudication. For example, an accused infringer is barred from filing a petition to initiate post-grant proceedings in the PTAB if it has already filed a declaratory judgment action for invalidity in district court, and the district court is required to stay any declaratory judgment action filed after a petition to initiate post-grant proceedings is filed. 35 U.S.C. §§ 315(a)(1)-(2), 325(a)(1)-(2). Also, if an accused infringer fails to raise a ground of patentability in its petition that could have been raised, it is estopped from relying on that ground in any subsequent district court proceeding. *Id.* §§ 315(e)(2), 325(e)(2). The reason Congress sought to eliminate duplication is that, when addressing disputes over patent validity, Congress

intended that the PTAB and the courts would be performing the same function.

2. The legislative history confirms that Congress intended the PTAB's procedures to substitute for district court validity litigation. The House Report on the AIA emphasizes that the PTAB's post-grant proceedings were intended to "provid[e] quick and cost effective alternatives to litigation" and would take place "in a court-like proceeding." H.R. Rep. No. 112-98, pt. 1, at 48, 68. The primary Senate sponsor of the litigation similarly explained that the purpose of the new proceedings is to "decrease[] the likelihood of expensive litigation" by "creat[ing] a less costly, in-house administrative alternative to review patent validity claims." 157 Cong. Rec. S1111 (daily ed. Mar. 2, 2011) (statement of Sen. Leahy, Exhibit 1).

In addition, prior to the AIA, the PTO administered an "inter partes reexamination" proceeding that was similar to the traditional "ex parte" reexamination before a patent examiner. According to the House Report, the intent of the AIA was to "convert[]" this reexamination proceeding "to an *adjudicative* proceeding." H.R. Rep. No. 112-98, pt. 1, at 46 (emphasis added).

Thus, the text, structure, and legislative history of the AIA demonstrate that Congress established the PTAB as a "far-reaching surrogate" for "adjudication of patent validity comparable to that of the district courts, where validity is determined on the legally correct claim construction." Pet. App. 32a, 31a (Newman, J., dissenting).

C. Congress Did Not Empower The PTO To Depart From The Traditional Standard For Adjudicating Patent Validity

In concluding that the "broadest reasonable interpretation" standard should apply to the PTAB's post-grant proceedings, the Federal Circuit found "no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years." Pet. App. 15a. That rationale fails to appreciate Congress's intent to have the PTO (through the PTAB) take on an entirely different adjudicative function. Because Congress created the PTAB and its post-grant proceedings as an alternative *adjudicative* forum, the question the Federal Circuit should have addressed (but did not) is whether "the AIA was designed to change the claim construction standard that [the *courts*] ha[ve] applied for more than 100 years." And the answer is no. There is no indication that the AIA was designed to undermine over a century of settled law.

The Federal Circuit, relying on an ambiguous statement from a single Senator, determined that Congress "was well aware that the broadest reasonable interpretation standard was the prevailing rule" at the PTO. *Id.* (discussing 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl)). It then applied the principle that "Congress is presumed to legislate against the background of existing law." *Id.* Although it stated the correct legal principle, the Federal Circuit erred in concluding that Congress intended for the traditional standard for *examination* rather than the traditional standard for *adjudication* to govern the new process for adjudicating issued patents established by the AIA.

Contrary to the Federal Circuit majority's analysis, to the extent Congress was aware of the standard historically guiding examination, it undoubtedly was equally well-aware that in adjudicative proceedings, for over a century, the validity of issued patents has been determined under a different standard—based on the actual meaning ascribed to the claims by one of skill in the art. *See supra* at 7-8. And, as discussed, the text, structure, and legislative history of the AIA all confirm that Congress created the PTAB's post-grant proceedings to provide a new adjudicative forum for parties accused of patent infringement. Contrary to the Federal Circuit majority's view, therefore, it is far more likely that Congress intended the new adjudicative proceedings to adhere to the actual-meaning standard that has long and consistently applied to patent adjudications. It is unreasonable to presume that, in creating an alternative forum for adjudicating the validity of issued patents, Congress *sub silentio* empowered the PTO to alter the standard for determining patent validity that has governed patent adjudications for over a century. *See Brown & Williamson Tobacco Corp.*, 529 U.S. at 133.[4]

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[4] In addition, a Congress aware of the PTO standards would have recognized that the PTO applies the "broadest reasonable interpretation" only in circumstances where claims can be freely amended. When "a reexamination involves claims of an expired patent," which can no longer be amended, the PTO has long applied the same narrower claim construction standard employed by the courts. *In re Rambus*, 753 F.3d at 1256; *see also* Manual of Patent Examining Procedure § 2258G.

II. THE PTO'S RULE FOSTERS INEFFICIENCY AND INSTABILITY BY INTRODUCING CONFLICTING STANDARDS FOR ADJUDICATING PATENT VALIDITY

The PTO's institution of an artificially broad construction standard for adjudicating patent validity in the PTAB has had immediate and profound destabilizing effects that Congress could not have intended. The PTAB's divergence from the traditional claim construction standard applicable in district court adjudication creates an unworkable system in which supposedly "alternative" forums reach contradictory conclusions about the validity of the same patent. Far from encouraging efficient and timely consideration of patents with serious validity issues, as Congress intended, *see supra* at 14, the "broadest reasonable interpretation" system "enhance[s]" duplicative litigation by accused infringers eager to secure a tactical advantage. Pet. App. 64a-65a (Newman, J., dissenting from denial of rehearing en banc). In several instances already, patent owners have obtained jury verdicts of validity and infringement in district court under the correct construction of their claims, only to be met with subsequent PTAB decisions finding the same claims invalid under the "broadest reasonable interpretation" standard.

1. For example, in 2013, InterDigital (one of the *amici*) brought suit in district court for infringement of certain cellular networking technology patents. *InterDigital Commc'ns Inc. v. ZTE Corp.*, No. 1:13-cv-00009-RGA (D. Del.). The district court construed InterDigital's asserted patent claims based on what they mean to a person of ordinary skill in the art. *Id.*,

ECF Nos. 260, 413. On October 28, 2014, a jury found that certain claims of U.S. Patent No. 8,380,244 ("'244 patent") were infringed and not invalid (*i.e.*, not anticipated or obvious in light of prior art). *Id.*, ECF No. 431 at 4, 7.

In parallel, the accused infringer filed an IPR petition in the PTAB challenging the '244 patent as invalid over the same prior art. *ZTE Corp. v. InterDigital Tech. Corp*, IPR2014-00525, Paper 1 (P.T.A.B. Mar. 21, 2014). The PTAB instituted review, *Id.*, Paper 19, 2014 WL 4715525 (P.T.A.B. Sept. 17, 2014), and, on September 14, 2015—nearly a year after the jury verdict for InterDigital—the PTAB found the '244 patent claims invalid on the very same grounds that the jury rejected. *Id.*, Paper 48 (P.T.A.B. Sept. 14, 2015). In doing so, the PTAB applied what it found to be the "broadest reasonable interpretation" of the claims—expressly acknowledging that it was applying a different and broader claim construction standard than the district court had applied. *Id.* at 10-13 & n.4.

2. The travails of another innovative company, Ultratec, made national headlines after the PTAB ruled invalid Ultratec patents that a district court jury had found valid and infringed to the tune of $44.1 million. Peter J. Pitts, *'Patent Death Squads' vs. Innovation*, Wall St. J., June 10, 2015, http://www.wsj.com/articles/patent-death-squads-vs-innovation-1433978591. In 2013, Ultratec, a small, privately held firm that manufactures captioned phones for the deaf and hard of hearing, sued a competitor for infringing several Ultratec patents. *Ultratec, Inc. v. Sorenson Commc'ns, Inc.*, No. 3:13-cv-00346-bbc (W.D. Wis.). On August 28, 2014, the district court construed various disputed terms and rejected

summary judgment on patent validity grounds, *id.*, 45 F. Supp. 3d 881 (W.D. Wis. 2014), and, on October 2014, the jury found the asserted patents valid, *id.* ECF No. 658, and infringed and awarded Ultratec $44.1 million, *id.*, ECF No. 682.

After being sued, the accused infringer filed several IPR petitions asserting that Ultratec's asserted patent claims were invalid. *See id.*, ECF No. 48 at 2. The PTAB instituted review, *see id.*, ECF No. 196 at 1 & n.1, and, on May 13, 2015, found invalid the same asserted claims that the jury had found valid and infringed, *id.*, ECF No. 876 at 1-2. In doing so, the PTAB applied what it purported was the "broadest reasonable interpretation" standard, as opposed to the district court's narrower construction of the critical claim terms. *Compare id.*, 45 F Supp. 3d at 895-902, 915-19, *with CaptionCall, L.L.C. v. Ultratec, Inc.*, IPR2013-00540, Paper 78 at 6-8, 26-27, 2015 WL 1263028, at *3-5, *15 (P.T.A.B. Mar. 3, 2015).

After the PTAB's decision, the district court stayed resolution of post-trial motions until the PTAB's ruling becomes final through appeal, *id.*, ECF No. 196 at 11, and the Federal Circuit rejected Ultratec's efforts to vacate the stay, *Ultratec, Inc. v. CaptionCall, LLC*, 611 F App'x 720, 722-23 (Fed. Cir. 2015). Barring rehearing by the PTAB (which Ultratec has requested), Ultratec must reverse on appeal the PTAB's invalidity ruling based on the PTAB's artificially broad claim construction in order to preserve the verdict of infringement and validity that the jury already rendered based on the claims' actual meaning.

3. In two IPR decisions last month, the PTAB found invalid two hybrid vehicle technology patents

that a jury found valid and infringed just days later. *See* Kurt Orzeck, *Paice Wins $29M In Hybrid Tech Spat With Hyundai, Kia*, Law360 (Oct. 5, 2015), http://www.law360.com/articles/711064/paice-wins-29m-in-hybrid-tech-spat-with-hyundai-kia. And at least twice in recent months, the Federal Circuit affirmed denials of stays arising from rulings by the PTAB finding patents invalid after jury trials had found the same patents valid and infringed. *Smartflash LLC v. Apple Inc.*, — F App'x —, 2015 WL 4603820, at *10 (Fed. Cir. July 30, 2015); *Versata Software Inc. v. SAP AG*, 564 F. App'x 600, 601-01 (Fed. Cir. 2014). These cases are the tip of the iceberg. As the volume of PTAB cases increases, such contradictory rulings, driven by the conflicting claim construction standards, will be a mainstay of the patent system.

There is no sound reason (certainly none rooted in the text or history of the AIA) to presume that, while district courts continue assessing patent validity based on what the patent claims *actually* mean, Congress empowered the PTAB to invalidate claims based on what the claims *might* mean, creating a two-track system with conflicting standards and destabilizing uncertainty. Congress is not presumed to intend or condone such anomalous results. *See Brown & Williamson Tobacco Corp.*, 529 U.S. at 133.

III. THE PTO'S RULE UNDERMINES PATENTEES' LEGITIMATE PROPERTY RIGHTS

The PTO's "broadest reasonable interpretation" standard for PTAB post-grant proceedings also diminishes the substantive rights of inventors in ways that Congress never intended.

First, the PTO's rule weakens Congress's statutory guarantee that "[a] patent shall be presumed valid." 35 U.S.C. § 282(a). In a district court action, an accused infringer can overcome the statutory presumption of validity only by proving that the claims, as *correctly* construed, are invalid over prior art "by clear and convincing evidence." *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011). In contrast, in the PTAB, because claims are given their "broadest reasonable interpretation" (instead of their *actual* meaning), they are far more likely to be found invalid (anticipated or obvious) in light of prior art. *See* 35 U.S.C. §§ 102, 103. By refusing to accord patentees with an accurate characterization of the metes and bounds of their claims when deciding their validity, and instead saddling them with artificially broad claim constructions that are much more likely to read on prior art, the PTAB's rule undercuts Congress's statutory guarantees and diminish patentees' substantive property rights. *See* Pet. App. 56a (Prost, C.J., dissenting from denial of rehearing en banc) (PTO's rule "violate[s] the bargain the patentee struck with the public").

Second, the PTO's rule gives accused infringers two bites at the apple to avoid liability in two different forums under two different standards, violating the well-established principle that "claims must be interpreted and given the same meaning for purposes of both validity and infringement analyses." *SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988); *see also Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1351 (Fed. Cir. 2001) ("A patent may not, like a 'nose of wax,' be twisted one way [for purposes of

validity] and another [for infringement]." (citation omitted)). In district court litigation, an accused infringer benefits from the court's narrower (correct) construction, under which it is easier to show non-infringement. Then, in a parallel PTAB challenge to the patent's validity, the accused infringer benefits from the PTAB's broader (hypothetical) construction, under which it is easier to show invalidity. The accused infringer gets the best of both worlds and the patentee gets the best of neither. There is no evidence that Congress intended to undermine that bedrock law or to put patentees at such an acute and patently unfair disadvantage.

The practical impact on patentees' property is sufficiently serious that Tessera (one of the *amici*) was willing to abandon the remaining term in one of its most valuable patents directed to assemblies for manufacturing semiconductor chips to avoid the application of the broadest reasonable interpretation standard in proceedings before the PTAB. Tessera brought arbitration claims alleging that its former licensee Amkor failed to pay royalties for its use of Tessera patents, as required by a patent licensing agreement. *See Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 98 at 3 (P.T.A.B. Jan. 31, 2014). The arbitrators, among other things, found that Amkor owed Tessera royalties for using Tessera's U.S. Patent No. 6,046,076 ("'076 patent"), and rejected Amkor's validity challenge to the '076 patent. *Id.* at 4; *id.*, Paper 37 at 14 (P.T.A.B. Oct. 11, 2013). The arbitrators awarded Tessera $128 million, and a California appeals court affirmed the award in November 2014. *Amkor Tech., Inc. v. Tessera, Inc.*, No. A139596, 2014 WL 6677363 (Cal. Ct. App. Nov. 25, 2014); Michael Lipkin,

Tessera's $128M IP Arbitration Award Upheld By Calif. Court, Law360 (Nov. 25, 2014), http://www.law360.com/articles/599608.

While the arbitration proceedings were pending, however, Amkor filed an IPR petition against the '076 patent in an effort to undermine the arbitration award. The PTAB agreed to initiate review. Although Tessera's '076 patent had been upheld in arbitration and had not yet expired, Tessera chose to voluntarily relinquish the entire remaining term of its patent and allow it to expire early by filing a terminal disclaimer, in an attempt to avoid the PTAB's use of the "broadest reasonable interpretation" standard. *Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 129 at 2 (P.T.A.B. May 22, 2014); Ryan Davis, *Tessera Says Terminal Patent Disclaimer Dooms AIA Review*, Law360 (Apr. 22, 2014), http://www.law360.com/articles/530525. As noted above, there is no question that at least in a reexamination context, the PTO must use the narrower district court claim construction standard when a patent is expired, *see* note 4 *supra*, so Tessera sought evaluation of the validity of the '076 patent under that narrower court standard by electing to expire the patent early.

Tessera's willingness to make the difficult decision to forego the remaining term on one of its most valuable patents—and thus forego royalties it otherwise could have received from others for use of that patent during that remaining term—to avoid the "broadest reasonable interpretation" standard highlights the extent to which the PTO's application of that standard compromises the rights of patent holders.

CONCLUSION

The petition for certiorari should be granted as to the first Question Presented.

Respectfully submitted,

JEFFREY A. BIRCHAK
Counsel of Record
FALLBROOK
TECHNOLOGIES INC.
2620 Brushy Creek Loop
Cedar Park, TX 78613
(512) 519-0305
jbirchak@fallbrooktech.com
Attorney for Amicus Curiae
Fallbrook Technologies Inc.

SRIRANGA R.
VEERARAGHAVAN
TESSERA TECHNOLOGIES,
INC.
3025 Orchard Parkway
San Jose, CA 95134
(408) 321-6000
Attorney for Amicus Curiae
Tessera Technologies, Inc.

RICHARD P. BRESS
Counsel of Record
GABRIEL K. BELL
MICHAEL J. GERARDI
LATHAM & WATKINS LLP
555 11th Street, NW
Suite 1000
Washington, DC 20004
(202) 637-2200
rick.bress@lw.com
Attorneys for
Amici Curiae
InterDigital, Inc. and
Tessera Technologies, Inc.

ANDREW G. ISZTWAN
INTERDIGITAL
HOLDINGS, INC.
200 Bellevue Parkway
Suite 300
Wilmington, DE 19809
(302) 281-3600
Attorney for Amicus
Curiae *InterDigital, Inc.*

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